



# Balestra, Harr & Scherer, CPAs, Inc.

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

[www.bhscpas.com](http://www.bhscpas.com)

HORIZON SCIENCE ACADEMY COLUMBUS MIDDLE SCHOOL  
FRANKLIN COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2011  
Fiscal Year Audited Under GAGAS: 2011





# Dave Yost • Auditor of State

Board of Trustees  
Horizon Science Academy Columbus Middle School  
2350 Morse Road  
Columbus, Ohio 43229

We have reviewed the *Independent Auditor's Report* of the Horizon Science Academy Columbus Middle School, Franklin County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Horizon Science Academy Columbus Middle School is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

April 3, 2012

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HORIZON SCIENCE ACADEMY COLUMBUS MIDDLE SCHOOL  
YEAR ENDED JUNE 30, 2011

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# Balestra, Harr & Scherer, CPAs, Inc.

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## Independent Auditor's Report

Members of the Board  
Horizon Science Academy Columbus Middle School  
Franklin County  
2350 Morse Road  
Columbus, Ohio 43229

We have audited the accompanying financial statements of the business-type activities of the Horizon Science Academy Columbus Middle School, Franklin County, Ohio, (the School), as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Horizon Science Academy Columbus Middle School, Franklin County, Ohio, as of June 30, 2011, and the change in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2012, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. The report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the School's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Balestra, Harr & Scherer, CPAs, Inc.  
January 30, 2012

**HORIZON SCIENCE ACADEMY COLUMBUS MIDDLE SCHOOL  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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The discussion and analysis of Horizon Science Academy Columbus Middle School's (the School) financial performance provides an overall review of the financial activities for the School's first fiscal year ended June 30, 2011. Readers should also review the financial statements and notes to enhance their understanding of the School's financial performance.

**Financial Highlights:**

Key financial highlights for fiscal year 2011 are as follows:

- The net assets increased by \$178,352 from \$223,320 to \$401,672
- The School had total operating revenues of \$1,956,201
- The School had total operating expenses of \$2,694,013
- The current liabilities increased by \$46,382
- The School received Federal and State Grants \$911,543

In fiscal year 2011 the School strengthened its financial position by increasing its net assets by \$178,352. This increase in net assets was partly due to an increase in student enrollment. In fiscal year 2011, the School increased its enrollment from 278 to 319. The School started the 2011 – 2012 school year with 341 students. In fiscal year 2011, the School also received \$128,430 worth of technological equipment and service under the scope of E-Rate program.

**Using this Financial Report:**

This annual report consists of three parts; Management's Discussion and Analysis, the Financial Statements and Notes to the Financial Statements. The Financial Statements part includes a *Statement of Net Assets*, a *Statement of Revenues, Expenses and Change in Net Assets* and a *Statement of Cash Flows*.

These statements report the School's *net assets* and change to those assets. This change is important because it tells the reader whether the *financial position* of the School has improved or diminished during the fiscal year. The cause of this change may be result of many factors, some financial, some not. Non-financial factors include the School's student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.

The *Statement of Net Assets and Statement of Revenues, Expenses and Change in Net Assets* reflect how *the School* performed financially *during the fiscal year*. These statements include all assets and liabilities using the accrual basis of accounting which is similar to the accounting method used by most private-sector companies. This basis of accounting includes all the current year revenues and expenses regardless of when cash is received or paid. These statements can be found on pages 7 and 8 of this report.

The *Statement of Cash Flows* provides information about how the School financed and met the cash flow needs for its operations during the fiscal year. The School uses enterprise presentation for all its activities. The *Statement of Cash Flows* can be found on pages 9 and 10 of this report.

**HORIZON SCIENCE ACADEMY COLUMBUS MIDDLE SCHOOL  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

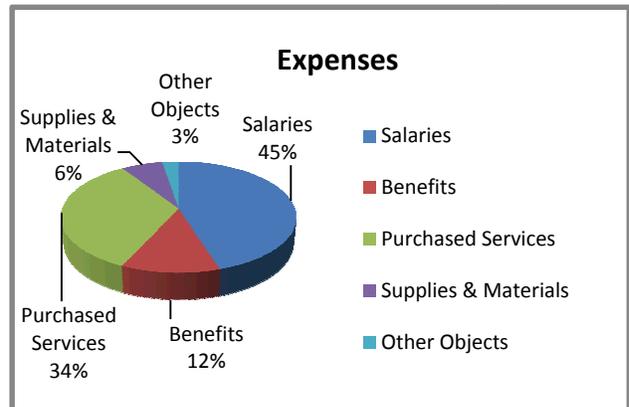
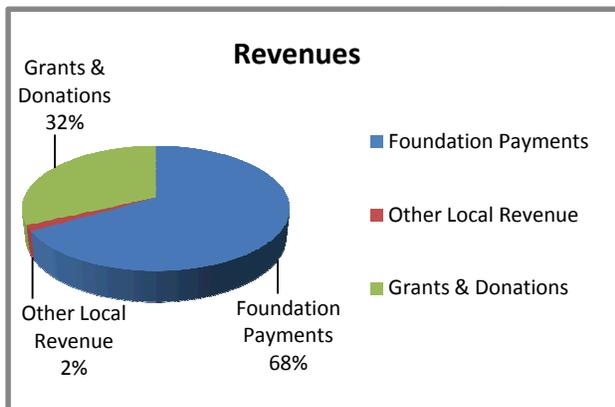
The following table provides a comparison of the School's Net Assets in fiscal years 2011 and 2010.

|                          | <u>June 30, 2011</u> | <u>June 30, 2010</u> |
|--------------------------|----------------------|----------------------|
| <b>Assets</b>            |                      |                      |
| Cash                     | \$ 196,384           | \$ 72,159            |
| Other Current Assets     | 35,471               | 53,259               |
| Capital Assets           | 399,022              | 285,245              |
| <b>Total Assets</b>      | <b>\$ 630,877</b>    | <b>\$ 410,663</b>    |
| <b>Liabilities</b>       |                      |                      |
| Current Liabilities      | \$ 228,021           | \$ 181,639           |
| Long Term Liabilities    | 1,184                | 5,704                |
| <b>Total Liabilities</b> | <b>229,205</b>       | <b>187,343</b>       |
| <b>Net Assets</b>        | <b>\$ 401,672</b>    | <b>\$ 223,320</b>    |

In fiscal year 2011, the School increased its cash reserves to \$196,384. Its total assets increased by \$178,352 which included an increase of \$113,777 to capital assets. This increase was due to a \$142,700 update on the School's network under the scope of the E-Rate Grant program and \$30,247 of asset purchases such as computers, school furniture and a walk-in refrigerator for the School's food program.

**The Statement of Revenues, Expenses and Change in Net Assets:**

The *Statement of Revenues, Expenses and Change in Net Assets* shows the operating and non-operating activities that took place during the fiscal year. The following charts are a summary of the School's Revenues and Expenses for the fiscal year ended June 30, 2011.



**HORIZON SCIENCE ACADEMY COLUMBUS MIDDLE SCHOOL  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The following table is a summary of the Statement of Revenues, Expenses and Change in Net Assets for the fiscal years 2011 and 2010.

|                                              | <u>June 30, 2011</u> | <u>June 30, 2010</u> |
|----------------------------------------------|----------------------|----------------------|
| <b><u>Operational Income/Expense</u></b>     |                      |                      |
| <b>Income</b>                                |                      |                      |
| Foundation Payments                          | \$ 1,911,480         | \$ 1,648,598         |
| Other Local Revenue                          | 44,721               | 37,227               |
| <b>Total Operational Income</b>              | <b>1,956,201</b>     | <b>1,685,825</b>     |
| <b>Expense</b>                               |                      |                      |
| Salaries                                     | 1,174,779            | 1,002,136            |
| Benefits                                     | 306,311              | 268,552              |
| Purchased Services                           | 916,686              | 737,566              |
| Supplies & Materials                         | 170,587              | 143,484              |
| Other Objects                                | 66,480               | 83,312               |
| Depreciation Expense                         | 59,170               | 55,487               |
| <b>Total Operational Expense</b>             | <b>2,694,013</b>     | <b>2,290,537</b>     |
| <b>Net Operational Income</b>                | <b>(737,812)</b>     | <b>(604,712)</b>     |
| <b><u>Non-Operational Income/Expense</u></b> |                      |                      |
| Federal Grants                               | 774,625              | 748,116              |
| State Grants                                 | 8,488                | 6,989                |
| Contributions and Donations                  | 133,930              | 30,350               |
| Interest Expense                             | (879)                | (931)                |
| <b>Total Non-Operational Expense</b>         | <b>916,164</b>       | <b>784,524</b>       |
| <b><u>Net Assets</u></b>                     |                      |                      |
| Change in Net Assets                         | 178,352              | 179,812              |
| Net Assets at Beginning of Year              | 223,320              | 43,508               |
| Net Assets at End of Year                    | <b>\$ 401,672</b>    | <b>\$ 223,320</b>    |

Foundation Revenues increased by 16% due to enrollment increase from 278 to 319. Also, salaries increased by 17% and benefits by 14%. Purchased Services increased by 25% due to increases in management fees, rent, and instructional services. \$128,430 of State Grant were from the E-Rate Program.

**HORIZON SCIENCE ACADEMY COLUMBUS MIDDLE SCHOOL  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**Capital Assets:**

As of June 30, 2011, Horizon Science Academy Columbus Middle School had \$399,022 invested in capital assets such as office equipment, school furniture, vehicles and computers net of depreciation. The following table is a summary of Capital Assets as of June 30, 2011.

| <b>Capital Assets</b>          |                                   |                   |                  |                                 |
|--------------------------------|-----------------------------------|-------------------|------------------|---------------------------------|
|                                | <b>Beginning<br/>July 1, 2010</b> | <b>Additions</b>  | <b>Deletions</b> | <b>Ending<br/>June 30, 2011</b> |
| Furniture and Equipment        | \$ 343,407                        | \$ 17,247         | \$ (5,140)       | \$ 355,514                      |
| Facility Improvements          | 14,987                            | 151,151           | -                | 166,138                         |
| School Vehicle                 | 9,444                             | 4,550             | -                | 13,994                          |
| <b>Total Fixed Assets</b>      | <b>367,838</b>                    | <b>172,948</b>    | <b>(5,140)</b>   | <b>535,646</b>                  |
| Less: Accumulated Depreciation | (82,593)                          | (59,171)          | 5,140            | (136,624)                       |
| <b>Net Fixed Assets</b>        | <b>\$ 285,245</b>                 | <b>\$ 113,777</b> | <b>\$ -</b>      | <b>\$ 399,022</b>               |

**Contacting the School's Financial Management:**

This financial report is designed to provide citizens, grantors and potential creditors with a general overview of the School's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Ryan Uysaler, Treasurer by mail at Concept Schools South Ohio Regional Office, 2356 Morse Rd. Columbus, OH 43235 or by phone at 614- 428 7656.

HORIZON SCIENCE ACADEMY COLUMBUS MIDDLE SCHOOL  
FRANKLIN COUNTY

**Statement of Net Assets**  
For the Fiscal Year Ended June 30, 2011

**ASSETS**

**Current Assets**

|                              |                |
|------------------------------|----------------|
| Cash and Cash Equivalents    | \$ 196,384     |
| Intergovernmental Receivable | 35,471         |
| <b>Total Current Assets</b>  | <b>231,855</b> |

**Non-Current Assets**

|                                                  |                   |
|--------------------------------------------------|-------------------|
| Capital Assets (Net of Accumulated Depreciation) | 399,022           |
| <b>Total Assets</b>                              | <b>\$ 630,877</b> |

**LIABILITIES & EQUITY**

**Current Liabilities**

|                                  |                |
|----------------------------------|----------------|
| Accounts Payable                 | 92,924         |
| Accrued Wages                    | 93,099         |
| Payroll Liabilities              | 37,478         |
| Capital Lease- Current           | 4,520          |
| <b>Total Current Liabilities</b> | <b>228,021</b> |

**Long Term Liabilities**

|                           |                |
|---------------------------|----------------|
| Capital Leases- Long Term | 1,184          |
| <b>Total Liabilities</b>  | <b>229,205</b> |

**NET ASSETS**

|                                                   |                   |
|---------------------------------------------------|-------------------|
| Investment in Capital Assets, Net of Related Debt | 393,318           |
| Unrestricted                                      | 8,354             |
| <b>Total Net Assets</b>                           | <b>\$ 401,672</b> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HORIZON SCIENCE ACADEMY COLUMBUS MIDDLE SCHOOL  
FRANKLIN COUNTY

**Statement of Revenues, Expenses  
and Change in Net Assets  
For the Fiscal Year Ended June 30, 2011**

**Operational Income/Expense**

**Income**

|                     |              |
|---------------------|--------------|
| Foundation Payments | \$ 1,911,480 |
| Other Local Revenue | 44,721       |

**Total Operational Income** **1,956,201**

**Expense**

|                      |           |
|----------------------|-----------|
| Salaries             | 1,174,779 |
| Benefits             | 306,311   |
| Purchased Services   | 916,686   |
| Supplies & Materials | 170,587   |
| Other Objects        | 66,480    |
| Depreciation Expense | 59,170    |

**Total Operational Expense** **2,694,013**

**Net Operational Loss** **(737,812)**

**Non-Operational Income/Expense**

|                             |         |
|-----------------------------|---------|
| Federal Grants              | 774,625 |
| State Grants                | 136,918 |
| Contributions and Donations | 5,500   |
| Interest Expense            | (879)   |

**Total Non-Operational Income** **916,164**

**Net Assets**

**Change in Net Assets** **178,352**

**Net Assets at Beginning of Year** **223,320**

**Net Assets at End of Year** **\$ 401,672**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HORIZON SCIENCE ACADEMY COLUMBUS MIDDLE SCHOOL  
FRANKLIN COUNTY**

**Statement of Cash Flows  
For Fiscal Year Ended June 30, 2011**

|                                                                 |                   |
|-----------------------------------------------------------------|-------------------|
| <b>Cash Flows from Operating Activities</b>                     |                   |
| Cash Received from State of Ohio                                | \$ 1,911,480      |
| Cash Received from Other Operating Revenues                     | 44,721            |
| Cash Payments to Suppliers for Goods and Services               | (1,051,812)       |
| Cash Payments to Employees for Services                         | (1,165,763)       |
| Cash Payments for Employee Benefits                             | (304,730)         |
| Other Cash Payments                                             | (66,480)          |
| <b>Net Cash Used for Operating Activities</b>                   | <b>(632,584)</b>  |
| <b>Cash Flows from Noncapital Financing Activities</b>          |                   |
| Federal Grants Received                                         | 792,414           |
| State Grants Received                                           | 8,488             |
| Contributions and Donations                                     | 5,500             |
| <b>Net Cash Provided by Noncapital Financing Activities:</b>    | <b>806,402</b>    |
| <b>Cash Flows from Capital and Related Financing Activities</b> |                   |
| Payments for Capital Acquisitions                               | (44,518)          |
| Payments for Capital Leases                                     | (4,196)           |
| Interest Expense                                                | (879)             |
| <b>Net Cash Used for Capital and Related Activities</b>         | <b>(49,593)</b>   |
| <b>Net Increase in Cash and Cash Equivalents</b>                | <b>124,225</b>    |
| <b>Cash and Cash Equivalents at Beginning of Year</b>           | <b>72,159</b>     |
| <b>Cash and Cash Equivalents at End of Year</b>                 | <b>\$ 196,384</b> |
| <b>Non-cash Capital Financing Activities:</b>                   |                   |
| State E-Rate Equipment Grant                                    | <u>\$128,430</u>  |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HORIZON SCIENCE ACADEMY COLUMBUS MIDDLE SCHOOL  
FRANKLIN COUNTY

**Statement of Cash Flows**  
For Fiscal Year Ended June 30, 2011  
(Continued)

**Reconciliation of Operating Loss to Net Cash  
Used for Operating Activities:**

|                                                                                              |                     |
|----------------------------------------------------------------------------------------------|---------------------|
| Operating Loss                                                                               | \$ (737,812)        |
| <b>Adjustments to Reconcile Operating Loss to Net Cash<br/>Used for Operating Activities</b> |                     |
| Depreciation                                                                                 | 59,170              |
| <b>Changes in Assets and Liabilities</b>                                                     |                     |
| Increase in Accounts Payable                                                                 | 35,461              |
| Increase in Accrued Wages                                                                    | 9,016               |
| Increase in Payroll Liabilities                                                              | 1,581               |
| <b>Total Adjustments</b>                                                                     | <b>105,228</b>      |
| <b>Net Cash Used for Operating Activities</b>                                                | <b>\$ (632,584)</b> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HORIZON SCIENCE ACADEMY COLUMBUS MIDDLE SCHOOL  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

Horizon Science Academy Columbus Middle School, (the School) is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades six through eight in Columbus. The School, which is part of the State's education program, is independent of any School and is nonsectarian in its programs, admission policies, employment practices, and all other operations.

The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School. The School has been approved as an exempt organization under Section 501(c) (3) of the Internal Revenue Code. The School's Management is not aware of any course of action or series of events that have occurred that might adversely affect the school's tax-exempt status.

The School was approved for operation under contract with the Buckeye Community Hope Foundation (the Sponsor) commencing March 15, 2007. The contract was extended in May 2010 until June 30, 2015.

The School operates under the direction of a self-appointed five-member Board of Directors. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. In the fiscal year 2011 the School employed 31 personnel for up to 320 students.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the School have been prepared in conformity with generally accepted accounting principles as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The School does not apply FASB statements issued after November 30, 1989. The more significant of the School's accounting policies are described below.

**A. Basis of Presentation**

The School's basic financial statements consist of a Statement of Net Assets; a Statement of Revenues, Expenses, and Change in Net Assets; and a Statement of Cash Flows. The School uses enterprise accounting to report on its financial activities. Enterprise accounting focuses on the determination of operating income, change in net assets, financial position, and cash flows.

**HORIZON SCIENCE ACADEMY COLUMBUS MIDDLE SCHOOL  
FRANKLIN COUNTY**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the School are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Change in Net Assets present increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The Statement of Cash Flows provides information about how the School finances meets the cash flow needs for its enterprise activities.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The full accrual basis of accounting is used for reporting purposes. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenues resulting from non-exchange transactions, in which the School receives value without directly giving equal value in return, such as grants, entitlements and donations are recognized in the period in which all eligibility requirements have been satisfied. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. Expenses are recognized at the time they are incurred.

**C. Budgetary Process**

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705; rather community schools are required to create a Five Year Budget Forecast that is approved by the School Board and submitted to ODE and to the School's Sponsor. The contract between the School and its Sponsor does not prescribe any other budgetary process for the School.

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the School is pooled in a central bank account. Total cash amount at the end of the fiscal year is presented as "Cash" in the Statement of Net Assets. Any investment with an original maturity date less than 90 days is considered a cash equivalent and any investment with a maturity date greater than 90 days is considered an investment. The School did not have any investments during the fiscal year 2011.

**E. Capital Assets and Depreciation**

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School maintained a capitalization threshold of \$1,000 for inventory assets and \$10,000 dollars for fixtures and improvements. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized.

All capital assets are depreciated. Furniture, computers, office equipment, and vehicles are depreciated using straight-line method over the following estimated useful lives. Improvements to capital assets are depreciated using straight-line method over the remaining useful lives of the related capital assets. Leasehold improvements are depreciated using the straight-line method over the life of the lease.

**HORIZON SCIENCE ACADEMY COLUMBUS MIDDLE SCHOOL  
FRANKLIN COUNTY**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Capital Assets and Depreciation (Continued)**

|                                          | <u>Useful Life</u> |
|------------------------------------------|--------------------|
| Improvements                             | 3 to 10 years      |
| Buildings                                | 30 years           |
| Heavy Duty Office or Classroom Furniture | 10 years           |
| Computers and Other Electronic Equipment | 3 to 5 years       |
| Vehicles                                 | 3 to 10 years      |

**F. Intergovernmental Revenues**

In the fiscal year 2011 the School participated in the State Foundation Program, State Poverty Based Assistance Program and Special Education Program. Revenues received from these and other State programs are recognized as operating revenues. Amounts awarded under these programs in the fiscal year 2011 totaled \$1,911,480.

Grants from State and Federal Governments and donations are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the school must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the school on a reimbursement basis. Amounts awarded under these programs in fiscal year 2011 totaled \$917,043.

**G. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the School. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the School. All revenues and expenses not meeting this definition are reported as non-operating.

**H. Compensated Absences**

School policy indicates that all full time employees are entitled to eight days of sick/personal days in a school year. All leave earned by employees must be used within the current school year and cannot be transferred to the next school year. The school also compensates its employees \$125 per day for each unused sick/personal days.

**I. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or contracts. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. At the end of the fiscal year ended June 30, 2011 the School did not have any restricted net assets.

**HORIZON SCIENCE ACADEMY COLUMBUS MIDDLE SCHOOL  
FRANKLIN COUNTY**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**3. DEPOSITS AND INVESTMENTS**

On June 30, 2011, the carrying book balance of the School's bank account at Chase Bank was \$196,384 and the bank balance was \$208,171. The bank balance was insured by FDIC. The School had no investments at June 30, 2011 or during the fiscal year.

**4. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

| <b>Capital Assets</b>          |                                   |                   |                  |                                 |
|--------------------------------|-----------------------------------|-------------------|------------------|---------------------------------|
|                                | <b>Beginning<br/>July 1, 2010</b> | <b>Additions</b>  | <b>Deletions</b> | <b>Ending<br/>June 30, 2011</b> |
| Furniture and Equipment        | \$ 343,407                        | \$ 17,247         | \$ (5,140)       | \$ 355,514                      |
| Facility Improvements          | 14,987                            | 151,151           | -                | 166,138                         |
| School Vehicle                 | 9,444                             | 4,550             | -                | 13,994                          |
| <b>Total Fixed Assets</b>      | <b>367,838</b>                    | <b>172,948</b>    | <b>(5,140)</b>   | <b>535,646</b>                  |
| Less: Accumulated Depreciation | (82,593)                          | (59,171)          | 5,140            | (136,624)                       |
| <b>Net Fixed Assets</b>        | <b>\$ 285,245</b>                 | <b>\$ 113,777</b> | <b>\$ -</b>      | <b>\$ 399,022</b>               |

**5. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

Plan Description – The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**HORIZON SCIENCE ACADEMY COLUMBUS MIDDLE SCHOOL  
FRANKLIN COUNTY**

**5. DEFINED BENEFIT PENSION PLANS (Continued)**

**A. School Employees Retirement System (Continued)**

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14% of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2011, 11.81% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10% for plan members and 14% for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$13,754, \$6,255, and \$5,723 respectively; 88% has been contributed for the fiscal year 2011 and 100% has been contributed for previous years.

**B. State Teachers Retirement System**

Plan Description – The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**HORIZON SCIENCE ACADEMY COLUMBUS MIDDLE SCHOOL  
FRANKLIN COUNTY**

**5. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement System (Continued)**

Funding Policy – For the fiscal year ended June 30, 2011, plan members were required to contribute 10% of their annual covered salaries. The School was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$149,049, \$132,433, and \$94,180 respectively; 88% has been contributed for the fiscal year 2011 and 100% has been contributed for previous years.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2011, two members of the Board of Education have elected Social Security. The remaining Board members contribute to SERS. The Board's liability is 6.2% of wages paid.

**6. POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description – The School participates in two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2011, 1.43% of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800.

**HORIZON SCIENCE ACADEMY COLUMBUS MIDDLE SCHOOL  
FRANKLIN COUNTY**

**6. POSTEMPLOYMENT BENEFITS (Continued)**

**A. School Employees Retirement System (Continued)**

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$1,405, \$210, and \$1,709 respectively; 100% has been contributed for all three fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2011, this actuarially required allocation was 0.76% of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$747, \$347, and \$270 respectively; 100% has been contributed for all three fiscal years.

**B. State Teachers Retirement System of Ohio**

Plan Description – The School contributes to the cost-sharing, multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$10,646, \$9,449, and \$6,727 respectively; 100% has been contributed for all three fiscal years.

**7. RISK MANAGEMENT**

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the School contracted with Selective Insurance Company for property and general liability insurance with a \$1,000,000 single occurrence limit and \$3,000,000 annual aggregate with no deductible. The School did not make any claims in the fiscal year.

The School also pays the State Workers Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State. The School paid 100% of its premiums for the fiscal year ended June 30, 2011.

**HORIZON SCIENCE ACADEMY COLUMBUS MIDDLE SCHOOL  
FRANKLIN COUNTY**

**8. EMPLOYEE MEDICAL AND DENTAL BENEFITS**

According to the School's Policy, the School is required to provide Medical and Dental Insurance to all its full time employees. 60% of the monthly premiums for Medical and Dental coverage are contributed by the School while the remaining 40% are deducted from employees' wages.

**9. PURCHASED SERVICES**

Purchased service expenses during fiscal year 2011 were as follows:

| <b>Purchased Services</b>      |                   |
|--------------------------------|-------------------|
| <b>Type</b>                    | <b>Amount</b>     |
| Instructional Services         | 50,012            |
| Other Professional Services    | 62,216            |
| Management Fees                | 245,795           |
| Rent and Property Services     | 509,429           |
| Advertising and Communications | 25,878            |
| Pupil Transportation           | 10,116            |
| Extra-Curricular Activities    | 11,556            |
| Staff Travel Expenses          | 1,684             |
| <b>Total</b>                   | <b>\$ 916,686</b> |

**10. CAPITAL LEASES PAYABLE**

The School entered into a capitalized lease agreement for a copy machine/printer in September 2007. The lease meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital assets of \$19,950 have been recorded, which represents the present value of the minimum lease payments at time of acquisition. The accumulated depreciation for the capital lease asset at the end of the fiscal year was \$15,295. Principal payments for fiscal year 2011 totaled \$4,196. The remaining principal balance as of June 30, 2011 is \$5,704.

|                                     | <b>Total Payment</b> | <b>Interest</b> | <b>Principal</b> |
|-------------------------------------|----------------------|-----------------|------------------|
| 2012                                | 4,794                | 274             | 4,520            |
| 2013                                | 1,199                | 15              | 1,184            |
| <b>Total Minimum Lease Payments</b> | <b>\$ 10,787</b>     | <b>\$ 887</b>   | <b>\$ 9,900</b>  |

**HORIZON SCIENCE ACADEMY COLUMBUS MIDDLE SCHOOL  
FRANKLIN COUNTY**

**11. OPERATING LEASES**

In August 2009, the School entered into a lease agreement with 2350 Morse LLC for ten years. 2350 Morse LLC is a subsidiary of New Plan Learning which is an Ohio based, non-profit company established to provide facility development and management services for community schools. The School's monthly rent for the fiscal year was \$30,900 with an annual increase of 3%. In the fiscal year 2011, the School paid a total rent of \$369,000 per the contract. The required lease payments for the following three years will be as follows;

|                     |           |
|---------------------|-----------|
| Sep 2011 – Aug 2012 | \$381,924 |
| Sep 2012 – Aug 2013 | \$393,382 |
| Sep 2013 – Aug 2014 | \$405,183 |

**12. CONTINGENCIES**

**A. Grants**

The school received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. Such an audit was performed for Public Charter School Program Grant (Start-up Grant) that the School received in fiscal years 2009 and 2010 by ODE in May 2011. As a result of the audit ODE found \$27,166 of expenses unallowable. This amount will be refunded to ODE in four equal payments. However, in the opinion of management, this disallowed claim will not have a material adverse effect on the overall financial position of the School at June 30, 2011.

**B. Ohio Department of Education Enrollment Review**

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the Community School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. According to the FTE review made for fiscal year 2011, the School was underpaid by \$11,173. This amount is reflected under Intergovernmental Receivables in the Statement of Net Assets.

**13. SPONSORSHIP AGREEMENT**

On May 21, 2010, the School extended its sponsorship agreement with Buckeye Community Hope Foundation (the Sponsor) for five years until June 30, 2015. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. According to the contract, the School pays 3% of its foundation revenues to the Sponsor. In fiscal year 2011, the school's compensation to the Sponsor was \$52,164.

**HORIZON SCIENCE ACADEMY COLUMBUS MIDDLE SCHOOL  
FRANKLIN COUNTY**

**14. MANAGEMENT COMPANY AGREEMENT**

The School contracted with Concepts Schools Inc. to serve as the School's Management Company. The contract is renewed automatically every year in one year terms unless the school or the management company decides otherwise. According to the contract the school transfers 12% of the funds received from State. The total management fees paid to Concept Schools in fiscal year 2011 was \$245,795.

Horizon Science Academy Columbus Middle School  
Franklin County  
Schedule of Federal Awards Receipts and Expenditures  
For the Fiscal Year Ended June 30, 2011

| Federal Grantor/<br>Pass Through Grantor/<br>Program Title                                 | Pass Through<br>Entity<br>Number | Federal<br>CFDA<br>Number | Receipts   | Non-Cash<br>Receipts | Expenditures | Non-Cash<br>Expenditures |
|--------------------------------------------------------------------------------------------|----------------------------------|---------------------------|------------|----------------------|--------------|--------------------------|
| <b>United States Department of Agriculture</b>                                             |                                  |                           |            |                      |              |                          |
| <i>Passed through Ohio Department of Education</i>                                         |                                  |                           |            |                      |              |                          |
| <i>Child Nutrition Cluster:</i>                                                            |                                  |                           |            |                      |              |                          |
| National School Lunch Program                                                              | 3L60                             | 10.555                    | \$ 118,217 | \$ 12,275            | \$ 118,217   | \$ 12,275                |
| School Breakfast Program                                                                   | 3L70                             | 10.553                    | 46,208     | -                    | 46,208       | -                        |
| Total Child Nutrition Cluster                                                              |                                  |                           | 164,425    | 12,275               | 164,425      | 12,275                   |
| Child Nutrition Discretionary Grants Limited Availability                                  | 3EF0                             | 10.579                    | 10,800     | -                    | 10,800       | -                        |
| <b>Total United States Department of Agriculture</b>                                       |                                  |                           | 175,225    | 12,275               | 175,225      | 12,275                   |
| <b>United States Department of Education</b>                                               |                                  |                           |            |                      |              |                          |
| <i>Passed through Ohio Department of Education</i>                                         |                                  |                           |            |                      |              |                          |
| <i>Title I, Part A Cluster:</i>                                                            |                                  |                           |            |                      |              |                          |
| Title I Grants to Local Education Agencies                                                 | 3M00                             | 84.010                    | 276,559    | -                    | 276,559      | -                        |
| Title I Grants to Local Education Agencies, ARRA                                           | 3DK0                             | 84.389                    | 98,690     | -                    | 94,044       | -                        |
| Total Title I, Part A Cluster                                                              |                                  |                           | 375,249    | -                    | 370,603      | -                        |
| <i>Special Education Cluster:</i>                                                          |                                  |                           |            |                      |              |                          |
| Special Education - Grants to States                                                       | 3M20                             | 84.027                    | 40,988     | -                    | 38,242       | -                        |
| Total Special Education Cluster                                                            |                                  |                           | 40,988     | -                    | 38,242       | -                        |
| <i>Education Technology State Grants Cluster</i>                                           |                                  |                           |            |                      |              |                          |
| Education Technology State Grants                                                          | 3S20                             | 84.318                    | 2,620      | -                    | 922          | -                        |
| Total Education Technology State Grants Cluster                                            |                                  |                           | 2,620      | -                    | 922          | -                        |
| <i>State Fiscal Stabilization Fund Cluster</i>                                             |                                  |                           |            |                      |              |                          |
| State Fiscal Stabilization Fund (SFSF) - Education Grants, ARRA                            | GRF                              | 84.394                    | 161,777    | -                    | 161,777      | -                        |
| Total State Fiscal Stabilization Fund Cluster                                              |                                  |                           | 161,777    | -                    | 161,777      | -                        |
| <i>Safe and Drug-Free Schools and Communities -</i>                                        |                                  |                           |            |                      |              |                          |
| State Grants                                                                               | 3D10                             | 84.186                    | 810        | -                    | -            | -                        |
| Improving Teacher Quality State Grants                                                     | 3Y60                             | 84.367                    | 9,455      | -                    | 9,455        | -                        |
| State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top<br>Incentive Grants, Recovery Act | 3FD0                             | 84.395                    | 15,125     | -                    | 16,625       | -                        |
| <b>Total United States Department of Education</b>                                         |                                  |                           | 606,024    | -                    | 597,624      | -                        |
| <b>Total Federal Financial Assistance</b>                                                  |                                  |                           | \$ 781,249 | \$ 12,275            | \$ 772,849   | \$ 12,275                |

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

**Horizon Science Academy Columbus Middle School**  
*Notes to the Schedule of Federal Awards Receipts and Expenditures*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the School's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B – NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS**

Federal funds received from the National School Lunch and Breakfast Programs were commingled with state subsidy and local revenue from the sale of meals. It was assumed that federal dollars were expended first.

**NOTE C – FOOD DONATION**

Program regulations do not require the School to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received as assessed by the U.S. Department of Agriculture.



# Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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## Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Members of the Board  
Horizon Science Academy Columbus Middle School  
Franklin County  
2350 Morse Road  
Columbus, Ohio 43229

We have audited the financial statements of the business-type activities of Horizon Science Academy Columbus Middle School, Franklin County, Ohio, (the School), as of and for the year ended June 30, 2011, and have issued our report thereon dated January 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

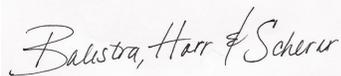
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, the Board Members, the Community School's sponsor, federal awarding agencies, pass-through entities, and others within the School. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.  
January 30, 2012



# Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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## Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Members of the Board  
Horizon Science Academy Columbus Middle School  
Franklin County  
2350 Morse Road  
Columbus, Ohio 43229

### Compliance

We have audited the compliance of Horizon Science Academy Columbus Middle School, Franklin County, Ohio (the School) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Horizon Science Academy Columbus Middle School's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the School's major federal programs. The School's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School's compliance with those requirements.

In our opinion, Horizon Science Academy Columbus Middle School complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

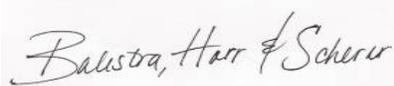
### Internal Control Over Compliance

The School's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of management, the Board Members, the Community School's sponsor, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.  
January 30, 2012

**Horizon Science Academy Columbus Middle School  
Franklin County, Ohio**

**Schedule of Findings  
OMB Circular A-133 Section §.505  
June 30, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

|              |                                                                                                          |                                                                             |
|--------------|----------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| (d)(1)(i)    | Type of Financial Statement Opinion                                                                      | Unqualified                                                                 |
| (d)(1)(ii)   | Were there any material weaknesses reported at the financial statement level (GAGAS)?                    | No                                                                          |
| (d)(1)(ii)   | Were there any other significant control deficiencies reported at the financial statement level (GAGAS)? | No                                                                          |
| (d)(1)(iii)  | Was there any reported noncompliance at the financial statement level (GAGAS)?                           | No                                                                          |
| (d)(1)(iv)   | Were there any material internal control weaknesses reported for major federal programs?                 | No                                                                          |
| (d)(1)(iv)   | Were there any other significant internal control deficiencies reported for major federal programs?      | No                                                                          |
| (d)(1)(v)    | Type of Major Program's Compliance Opinion                                                               | Unqualified                                                                 |
| (d)(1)(vi)   | Are there any reportable findings under §.510(a)?                                                        | No                                                                          |
| (d)(1)(vii)  | Major Programs (list):                                                                                   | Title I Cluster:<br>Title I - CFDA #84.010<br>Title I (ARRA) – CFDA #84.389 |
| (d)(1)(viii) | Dollar Threshold: Type A\B Programs                                                                      | Type A: > \$300,000<br>Type B: all others                                   |
| (d)(1)(ix)   | Low Risk Auditee?                                                                                        | Yes                                                                         |

**Horizon Science Academy Columbus Middle School  
Franklin County, Ohio**

**Schedule of Findings  
*OMB Circular A-133 Section §.505*  
June 30, 2011**

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**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**None noted**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**None noted**



# Balestra, Harr & Scherer, CPAs, Inc.

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## Independent Auditor's Report on Applying Agreed Upon Procedures

Horizon Science Academy Columbus Middle School  
Franklin County  
2350 Morse Road  
Columbus, Ohio 43229

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Horizon Science Academy Columbus Middle School (the School) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the School amended its anti-harassment policy at its meeting on October 12, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and the School's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer, CPAs, Inc.  
January 30, 2012

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# Dave Yost • Auditor of State

**HORIZON SCIENCE ACADEMY COLUMBUS MIDDLE SCHOOL**

**FRANKLIN COUNTY**

## **CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 17, 2012**